Latest Results (con't)

Company	Date	vs. Expect.	Results Highlight	Our View & Catalysts
Property Development				
Sunway Berhad	30-Nov-20	In line (3Q20)	– Stripping out the RM50.5m gain on remeasurement of leases for its hotels, Sunway Berhad (SWB) reported 3QFY20 core profit of RM82.3m (+741% q-o-q, -55% y-o-y). During the quarter, its business operations recovered to various levels on the easing of lockdown. – This takes 9M20 core profit to RM170m (-65% y-o-y), making up 36% of our full-year projection. Nevertheless, this is within expectations given the bumpy earning recognition in 4Q20 arising from the completion and handover of Rivercove Residences in Singapore and Sunway Gardens in Tianjin, China which have a combined unbilled sales of RM1.4bn. – Construction was the largest core pretax contributor (RM37m) with a 31% share during 3Q20 as construction work picked up pace after the relaxing of the Movement Control Order (MCO). – Property development contributed only 21% of 3Q20 core pretax profit at RM25m (-4% q-o-q, -58% y-o-y), dragged by lower progress billings from Malaysian projects. – Healthcare staged a strong turnaround in 3Q20 with pretax profit of RM15.5m, compared to RM16m pretax loss in 2Q20 following a less restrictive MCO. – 3Q20 property sales rebounded to RM270m (+193% q-o-q, -17% y-o-y), taking 9M20 property sales to RM943m (-11% y-o-y). We believe it is on track to achieve its RM1.1bn sales target, compared to our assumption of RM1.07bn. – Correspondingly, SWB's unbilled sales remained high at RM3.1bn in 3Q20 due to its decent property sales. This will provide earnings visibility over the next two years. – Balance sheet remained healthy with 49% net gearing as at end-September 2020. –	– We believe that the worst is likely over for SWB given recent positive developments regarding COVID-19 vaccines. This could expedite the return to normalcy. – Its earnings visibility remains strong, anchored by its strong order book for the construction (RM5.3bn) and property development (RM3.1bn) divisions. – We continue to like SWB for its underlying strength as an all-round integrated real estate player with strong brand equity which will ensure its long-term earnings sustainability. – We maintain our BUY rating and sum-of-parts (SOP)-derived target price (TP) at RM1.85.

DISCLAIMER

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